

Brown & Williamson Tobacco Corp - Advertising - 1986

Advertising Age, September 4, 1986

Batus Industries			
Louisville, Ky.			
(in millions)			
	1985	1984	% chg
Worldwide Sales	5,087	4,876	4.3
Net Income	184	314	(47.8)
U.S. advertising	176	176	0.1
Division sales			
	1985	1984	% chg
Tobacco	2,273	2,264	0.4
Retail	2,175	3,374	(35.5)
Paper	639	372	71.5

Batus Inc. announced in January that it would sell six of its retailing businesses, including New York-based Gimbel's Department Stores, or 40% of its U.S. retail business. By mid-July, agreements had been reached on the sale of 77 of 93 stores.

The divestiture is a result of low profits and incremental growth in recent years. Operating income from retailing rose only 2% in 1985 over the previous year, and only 0.9% in 1984 over 1983. As a result of the discontinued retail operations, Batus, the U.S. subsidiary of London-based B.A.T. Industries plc, took a \$150 million loss while recording \$164 million in net income in 1985, a 47.8% decrease from 1984.

Batus decreased the amount it spent on magazine advertising in 1985 by

about \$13 million. However, it increased its spending on outdoor advertising by about \$10 million, and slightly increased spending on newspaper and spot radio, to bring its total measured advertising outlays in line with 1984.

The largest share of Batus' advertising budget is allocated to its tobacco group, Brown & Williamson Tobacco Corp., which received \$52.8 million in measured advertising for its tobacco products last year, down 10%, according to Leading National Advertisers. The expenditure counted for 54% of total measured ad spending at Batus.

B&W's share of the total domestic cigarette market increased in 1985 from 11.3% to 11.8%, due mostly to its 26.4% share of the popular price-value market. B&W is in second place in this segment of the market, behind leader GrandMet's Liggett & Myers Tobacco Co., Louisville, and slightly ahead of RJR/Nabisco.

With the introduction in 1985 of its Richland brand, B&W entered the value-for-money segment of the tobacco industry. Richland was B&W's first new product introduction since 1981. Richland offers smokers 25 cigarettes for the same price as regular 20 packs. B&W spent more than \$12.5 million on measured advertising for Richland in 1985, second only to its flagship brand, Kool.

The company scored a marketing coup in 1985 when it reached an agreement with Generic Products Co., Fort Worth, Tex., to make its GPC-approved cigarettes. Richland and the generic labels were the major factors contributing to B&W's over-all share increase.

Although B&W's share of the total market increased in 1985—one of only three companies to post gains—the increase was not aided by the performance of B&W's full-priced brands. B&W's flagship, Kool, the fourth largest selling cigarette brand in the U.S., achieved a 6.7% market share last year, compared with a 7% share in 1984. The company increased measured spending 11.5% to \$29 million to advertise the Kool line, mostly in magazines and outdoor advertising. Kool King Size 25s and Kool Milds 25s also were introduced in selected markets during 1985.

B&W's ultra-low tar cigarette, Barclay, which has less than 1% of the market, continued its market decline in 1985. As a result, B&W began testing a reformulated Barclay. Although the company says it hopes the new Barclay will be a success, it cut ad spending for the cigarette in half last year, to only \$4.4 million.

The tobacco company overhauled its advertising agency lineup early this year, much as it did in 1984. B&W dropped Doyle Dane Bernbach as its agency for Kool and assigned creative responsibilities to Ogilvy & Mather, Chicago, which already handled media buying and planning for all B&W brands, including Kool.

In restructuring its retail operations, Batus hoped to concentrate on stores it believed had the greatest potential for growth and profitability. Saks Fifth Avenue, which B.A.T. bought from the Gimbel family in 1973, saw increased operating income last year of 7% on sales that increased 6%.

Analysts say Saks has rebounded from a period when it failed to keep up with its major competitors in pricing and fashion. Saks opened a new store in San Antonio, Tex., in 1985 and opened replacement stores in Southampton, N.Y., and Palm Springs, Cal. The store also is renovating and modernizing its facilities. Batus spent nearly \$1.5 million on measured advertising for Saks in 1985, down 35% from 1984.

Batus' Marshall Field's stores saw an improvement in sales of 8% and in operating profits of 6%. Measured ad spending remained relatively unchanged at \$2.3 million. Marshall Field's is the major retailer in the Chicago area, where most of its 21 stores are located. Analysts say that until Batus bought Field's in 1982, the store had failed to compete with specialty

stores that had entered the Chicago market.

Batus set out to modernize its facilities and seek professional management, tasks that analysts say have been completed and are the key to the store's new success.

Batus is also retaining its Ivey's stores, in the Carolinas and Florida; its Breuners stores in Arizona, California and Nevada, and its Thimbles stores in the Midwest and the Northeast.

Batus' three Crescent stores, all in Spokane, Wash., and its 15 Frederick & Nelson stores, in Washington and Oregon, have been sold to a group of investors in Seattle. They will continue to operate as retail stores under their present names. Additionally, Batus' 39 Kohl's stores, all in the Midwest, have been sold and will continue to be operated as they are.

Of Gimbel's nine Midwest stores, five have been transferred to Marshall Field's. Batus is discussing the sale of the other four with possible buyers, according to a Batus spokesman. In Pittsburgh, four have been sold to May Department Stores and negotiations with buyers are under way for three units. Ten Gimbel's stores in the East have been sold to Allied Stores Corp. and one to Associated Dry Goods. Eight others, including Gimbel's New York flagship, still are being negotiated.

Also as a part of Batus' retail restructuring, it announced that its chairman and chief executive, Arnold Aronson, would resign after a transition period. Also leaving would be M. Ronald Ruskin, Batus retail president.

ADVERTISING EXPENDITURES			
(in thousands)			
	1985	1984	
Magazine.....	\$23,342	\$36,216	
Newspaper.....	28,425	25,317	
Newsp. supp.....	11,705	13,103	
Spot tv.....	10,383	11,480	
Spot radio.....	2,007	0	
Outdoor.....	22,340	12,085	
Network cable.....	0	91	
Total measured.....	98,420	98,294	
Unmeasured.....	77,000	76,903	
Total.....	175,420	175,199	

BATUS INC.
2000 Citizens Plaza
Louisville, Ky. 40202
(502) 581-8000
APPLETON PAPERS INC.
Appleton, Wis.
Corporate Personnel
John W. Turner, chmn-cco

Dale H. Schumacker, president-cco
A. Sherman Frinak, exec admin asst to chmn

Marketing Personnel
Daniel W. McIntosh, vp-mktg & sales
Robert D. Seuss, dir-pr & corp communications
R.P. Sherrer, dir-mktg

Advertising Agencies
William Eisner & Associates, Hales Corner, Wis.—Tom Sarrahy, acct exec
Yellon Design Co., Appleton, Wis.—Jeff Yellon, acct exec

JOHN BREUNER CO.
San Ramon, Cal.

Corporate Personnel
Arnold Zetzer, chmn-cco

Marketing Personnel
Jeannine Vaughan, dir-mktg
Georgene McDaniel, media dir

Advertising Agency
(In-house) Jeannine Vaughan, dir-adv.

BROWN & WILLIAMSON TOBACCO CO.
Louisville, Ky.
Marketing Personnel

Thomas E. Whitehair Jr., vp-corp mktg
Lincoln R. Lewis Jr., dir-established brands
Robert J. Miller, group prod dir
James L. Hendricks, group prod dir
Kenneth M. Burk, sr brand mgr
Carol L. Lomicka, brand mgr
Susan H. Trebbelock, brand mgr
Jane G. Curtis, brand assoc
Diane E. Seagle, brand assoc
M. Carrie Canavan, brand assoc
Lee D. Johnson, brand assoc
Gail Lytle-Green, brand assoc
Frank L. Criss, merch materials mgr
Fran Canary, mgr-media services
Nancy S. Spriggs, mgr-promo services
Cathy L. Barlow, special promos mgr
Linda L. Greenawell, promo couponing super
Donna G. Fryman, coupon misredemption super

I. David MacDonald, dir-init brands
John B. Judd, group prod dir
Nancy G. Naughton, brand mgr
Jan K. Tharaldson, brand mgr
Glenn D. Raphael, dir-mktg rch
Jim F. Wilhelm, group rch mgr
Larry E. Gravely, group rch mgr
Robert J. Kopp, group forecasting mgr
Hal T. Hughes, mgr-industry analysis
Denise J. Anderson, brand assoc
Nick J. Wilkerson, brand assoc
Alice L. Kirby, sr analyst-forecasting
Bruce R. Pellett, sr mktg rch analyst
Fran L. Wilke, mkt rch analyst
Debbie A. Beatty, mkt rch analyst
Carolyn B. Pugh, mkt rch analyst
Bonnie L. McCafferty, dir-new prods
R. Dean Sharp, group prod dir

Paul S. Wessel, group prod dir
Nora E. Steinschulte, sr brand mgr
Suzanne D. Zolper, brand mgr
Karen J. Brouze, brand assoc
Rob D. Stowe, brand assoc
Robert M. Grimes, brand assoc
Lanny W. Butler, vp-sales
Charlie C. Middleton, dir-sales devel & admin

Glenn A. Korhage, dir-trade devel
Advertising Agencies
Geer, DuBois, New York—Richland cigarettes—Hrian Sherwood, exec vp-acct mgr; Mike Garcia, vp-acct super; Sergio Kulkarsky, acct exec.

Ogilvy & Mather, Chicago—Barclay, Kool (US and intl); Kim (US only); Kent, Lucky Strike (intl only); media planning and buying for all brands—Rod Parker, sr vp-mgmt super; Margo Conant, acct super.

IVEY'S CAROLINA
Charlotte, N.C.
Corporate Personnel
James H. Shaw, president-cco
Marketing Personnel
Richard L. Schwab, sr vp-sales promo
Advertising Agency
(In-house)—Richard L. Schwab, sr vp-sales promo.

IVEY'S FLORIDA
Orlando, Fla.
Marketing Personnel
Mason Allen, sr vp-merch
Raymond Cole, sr vp-dir adv
Advertising Agency
(In-house)—Raymond Cole, sr vp-dir adv.

MARSHALL FIELD'S
Chicago, Ill.
Corporate Personnel
Philip B. Miller, cco
Burnett Donoho, president
Marketing Personnel
Katharine Davis, vp-mktg
Christina Johnson, vp-direct response
Rick Wanclick, sales promo
Advertising Agency
(In-house) Creative Field's.

SAKS FIFTH AVENUE
New York, N.Y.
Marketing Personnel
Paul Le Blang, sr vp-dir mktg
Helen O'Hagan, vp-pr
William Derra, sr vp-sales promo & adv
Becky Wong, creative dir
Linda Gaunt, dir fashion publicity & pr mgr
Advertising Agency
(In-house)—Ross Donanno, production mgr.

THIMBLES
New York
Corporate Personnel
Jay H. Baker, president-cco
Marketing Personnel
Milton Beaver, vp-mktg & adv
Greg Costello, creative dir, visual adv

John Russo, creative dir, copy
Joseph Kaza, media dir
Advertising Agency
(In-house).

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